

MEMORANDUM FOR: Chief, Audit Staff

FROM : F. W. M. Janney
Director of Personnel

VIA : Deputy Director for Administration

SUBJECT : Reports of Audit - Consolidated
Charities, Public Service Aid
Society and Educational Aid
Fund

REFERENCE : Memo to D/Pers from C/AS dtd 5 May
1976, Subject: Reports of Audit

1. The report of audit of the Consolidated Charities Committee for the 1975-76 fund drive and the collection of prior year pledges contained no action recommendations.

2. Comments on the Public Service Aid Society audit indicate that the present allowance of \$1550 for doubtful loans may be substantially inadequate and PSAS assets overvalued as a result. We are in agreement that PSAS should establish a more reasonable allowance for this purpose and will refer the matter to the PSAS Board for appropriate action.

3. The Educational Aid Fund audit comments contain a recommendation that a Loans Receivable Account be established. We plan to implement this recommendation as soon as it can be presented to and approved by the EAF Board.

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F. W. M. Janney

Distribution:

- 0 - Addressee
- 1 - D/Pers
- 1 - DDA
- 2 - C/BSD (X w/held)

STATINTL

MEMORANDUM FOR: Director of Personnel
SUBJECT : Reports of Audit


Audit Reports are attached for the following non-appropriated fund activities:

- (1) Government Employees Health Association, Inc., 31 December 1975.
- (2) Employee Activity Association, 31 December 1975.
- (3) Consolidated Charities, 26 January 1976.
- (4) Public Service Aid Society, 31 December 1975.
- (5) Educational Aid Fund, 31 December 1975.

Please advise the Chief, Audit Staff of action taken on recommendations contained in the reports.

We wish to express our appreciation again for the cooperation extended to the auditors during the audits.

STATINTL


Chief, Audit Staff
Office of Inspector General

Attachments:
5 Audit Reports as stated

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REPORT OF AUDIT
Public Service Aid Society

For the Period
1 January 1974 - 31 December 1975

GENERAL

The Public Service Aid Society (PSAS) is a nonprofit organization incorporated in 1953 in the District of Columbia. The purpose of PSAS is to provide financial assistance to present and past Agency employees who are experiencing financial difficulties. The Board of Trustees' Executive Committee administers the affairs of PSAS.

SCOPE OF AUDIT

The audit was limited to an examination of the PSAS Balance Sheet as of 31 December 1975 and related statements of income and expense for the two year period then ended. We did verify that contributions to the Consolidated Charities Committee designated for PSAS were received.

SUMMARY OF FINANCIAL INFORMATION

Employee contributions solicited at the time of the Combined Federal Campaign (CFC) and interest on investments are the primary sources of PSAS income. During 1974 and 1975 PSAS received contributions of \$25,065 and earned interest of \$16,372 on investments. Investments and loans receivable did not change significantly during the past year. Further financial details are included in the attached Exhibit and the analysis of loans receivable below.

Seventy-one loans were outstanding on 31 December 1975. Thirty-two originated prior to 1 January 1974 and showed no activity during the audit period. Loan activity is summarized below.

	<u>Number</u>	<u>Amount</u>
Balance, 1 January 1974	90	\$116,708
New Loans	30	67,661
Payments in full and on account	(21)	(37,160)
Written off as Uncollectible	(28)	(25,322)
Balance, 31 December 1975	<u>71</u>	<u>\$121,887</u>

AUDIT COMMENTS

Administration of PSAS by the Executive Committee continues to be effective. The current allowance for doubtful loans against loans receivable of \$121,887 was \$1,550 at 31 December 1975. In view of past experience with uncollectible loans and the present number of inactive loans, the allowance may be substantially inadequate and PSAS assets accordingly overvalued. To obtain annual financial statements prepared under acceptable audit standards, the Board should consider evaluating the allowance for doubtful loans at the close of each calendar year.

Exhibit

Public Service Aid Society
Comparative Statement of Financial Condition
31 December 1975 and 31 December 1974

Assets

	<u>31 Dec 75</u>	<u>31 Dec 74</u>
Cash		
In Bank -- Checking	\$ 6,165	\$ 6,511
On Hand	1,057	-0-
Checks in Process through Finance	-0-	15
Investments, Savings Accounts	112,431	123,083
Advance on Deposit with Office of Finance	2,320	2,000
Loans Receivable	121,887	118,897
Less: Allowance for Doubtful Accounts	(1,550)	(7,300)
Total Assets	<u>\$242,310</u>	<u>\$243,206</u>

Fund Balance

Balance Beginning of Period	<u>\$243,206</u>	<u>\$218,708</u>
Income:		
Contributions	\$ 9,586	\$ 15,479
Interest	9,131	7,241
Total Income	<u>\$ 18,717</u>	<u>\$ 22,720</u>
Expenses:		
Office Expense	\$ 41	\$ 72
Uncollectible Items Charged-Off (Note)..	19,572	(1,850)
Total Expenses	<u>\$ 19,613</u>	<u>(1,778)</u>
Fund Balance End of Period	<u>\$242,310</u>	<u>\$243,206</u>

NOTE: The \$1,850 credit expense resulted from reactivating a loan previously written off.

REPORT OF AUDIT
Educational Aid Fund

For the Period
1 January 1974 - 31 December 1975

INTRODUCTION

The Educational Aid Fund (EAF) provides financial assistance to qualified dependent children of deceased, retired, and current Agency employees who are attending or plan to attend vocational schools, Junior colleges, four-year colleges, or other post-high school institutions. The EAF Board of Trustees awards grants and interest free loans annually to recipients who are selected on a competitive basis. Voluntary contributions and investment income are the sole support of the fund.

SCOPE OF AUDIT

The audit was limited to an examination of the Balance Sheet as of 31 December 1975 and related statements of income and expense for the two year period then ended. Contributions were verified to the total received by the Combined Federal Campaign for EAF. We did not confirm contributions directly with individual contributors.

SUMMARY OF FINANCIAL INFORMATION

EAF's income for the two year period totaled \$86,279 consisting of \$66,338 from employee contributions and \$19,941 from investment income. Current loans outstanding, \$92,650, have been given to 108 students. Twenty-two grants totaling \$23,900 were awarded in 1974 and 1975. A Comparative Statement of Financial Condition is shown on the attached Exhibit.

AUDIT COMMENTS

EAF procedures and controls applicable to the receipt and disbursement of monies are effective. We are satisfied that contributions have been accounted for accurately and fully.

The Board of Trustees accepted an audit recommendation in 1973 to establish a Loans Receivable Account but reversed its decision one year later. In lieu of a Loans Receivable Account, the financial statements are footnoted to show the

dollar value of outstanding loans made in prior years. This method of presentation is adequate for the Board's use. However, we again recommend that a Loans Receivable Account be established. The account could be fully reserved to recognize the fact that it is impossible to determine the collectability of the loans. The amount of outstanding loans then would be consolidated on the Balance Sheet without distorting the fund's assets. All Agency employees who review the EAF financial statements would be aware of the current total of Loans Receivable.

Educational Aid Fund

Comparative Statement of Financial Condition
31 December 1975 and 31 December 1974Assets

	<u>31 Dec 75</u>	<u>31 Dec 74</u>
Cash in Bank	\$ 500	\$ 464
Investments:		
Savings Account	127,056	124,638
Stock, Market Value at date of gift	16,928	16,928
Total Investments	<u>\$143,984</u>	<u>\$141,566</u>
Loans Receivable (Note)	<u>92,650</u>	<u>63,450</u>
Total Assets	<u>\$237,134</u>	<u>\$205,480</u>

Net Worth

Net Worth, Beginning of Period	\$205,480	\$175,350
Income:		
Contributions	31,275	35,063
Investment Income	10,365	9,576
Total Income	<u>\$ 41,640</u>	<u>\$ 44,639</u>
Grants and Expenses:		
Grants	9,700	14,200
Expenses	286	309
Total Grants and Expenses	<u>\$ 9,986</u>	<u>\$ 14,509</u>
Net Worth, End of Period	<u>\$237,134</u>	<u>\$205,480</u>

Note: EAF expenses loans at time of payment and does not maintain a balance of loans receivable. This figure represents the amount of outstanding loans for which the collectability is indeterminable. During 1975 loan repayments totaled \$1,050.